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*Vietnam: The election campaign officially ends at noon today, and the voters go to the polls tomorrow.

As the situation now stands, the Thieu-Ky slate looks like a winner. Voting will probably be heavy. Nearly 80 percent of the 5.8-million registered voters are expected to exercise their franchise. There are no indications that the government is making any concerted effort to manipulate the results, although some local irregularities are not unlikely.

The Thieu-Ky slate is likely to do especially well in the rural areas where the majority of the voters live. Civilian candidates, less well known to the countryside, will draw their main support from the densely populated urban areas. One or another of the civilians could even win a plurality in certain provinces.

The projected dismissal of army officers for corruption and inefficiency, recently announced by Chief of State Thieu, may be more far-reaching than originally reported.

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The Viet Cong are still trying to disrupt the forthcoming elections. On 30-31 August guerrillas kidnaped 78 South Vietnamese civilians from two hamlets near Da Nang and killed ten civilians and wounded 32 in the Mekong Delta.

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Arab States: No new approach to a settlement with Israel can be found in the final communiqué of the Arab Summit conference which concluded yesterday.

In stereotyped language, the resolutions approved by the conference reject any direct dealings with Israel as well as any notion of recognizing or concluding a peace treaty with Tel Aviv. The absence of constructive proposals is another Arab effort to shift the burden of taking the initiative in any negotiations onto others.

The major oil-producing states did succeed, however, in getting a formal rejection of an oil embargo as a means of bringing pressure on the West to seek a solution. The Saudi Arabians and other "moderates" have wanted just such a green light to resume shipments. The price they have to pay is the promise to transfer considerable sums to the states which suffered the most during the war-- Egypt, Jordan and, presumably, Syria. Another bow to the radical Arabs is a resolution to "expedite the liquidation" of foreign bases in the Arab states.

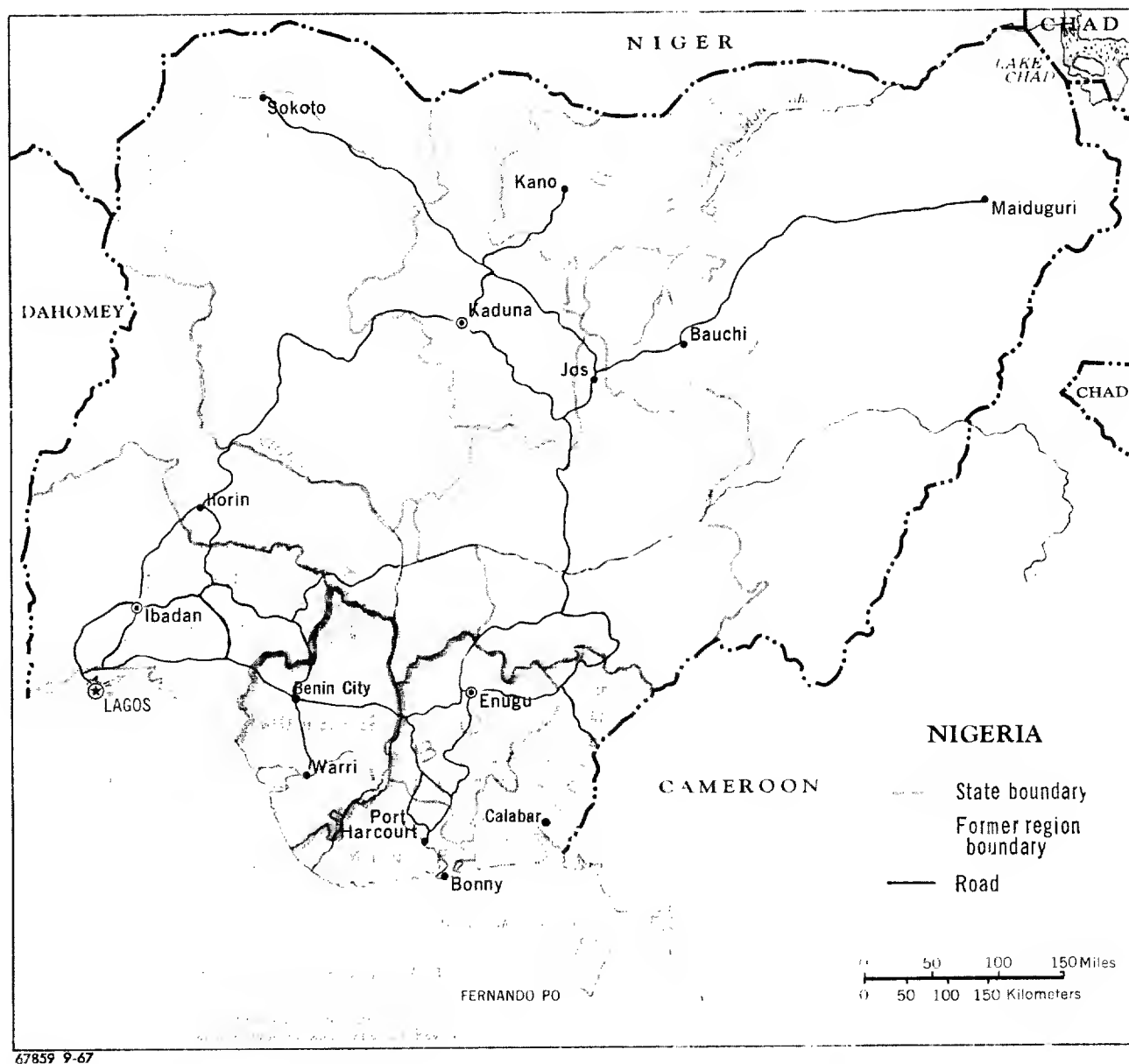
Syria, which along with Algeria has continued to beat the radical drum, has indicated it has reservations about decisions taken at the conference. Syrian Prime Minister Makhus, in a press statement immediately after the closing, indicated he was displeased that the oil embargo proposal had been rejected. The major Western-owned oil pipelines from Iraq and Saudi Arabia pass through Syria. [REDACTED]

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2 Sep 67 CENTRAL INTELLIGENCE BULLETIN Map

Nigeria: Biafra is losing the initiative it gained when it seized the Mid-West last month.

Federal troops have contained Biafra's thrust into Nigeria's Western State, and a potentially significant federal drive appears to be in progress out of the north into the Mid-Western State. Its objective is to cut the main road between the Mid-Western capital and the Niger River. Lagos is said to have 4,000-5,000 men and armored vehicles committed to the operation. The federal forces suffer, however, from a shortage of competent officers and the inexperience of many if not most of the troops. A second federal force is reported to be pushing south just inside Biafra along the Cameroon border toward the port of Calabar.

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This progress by federal troops reduces at least for the time being the chances that Western State Yorubas will join with Biafra against the northern-dominated central government. Although Biafra continues to receive some arms, the quantities being received almost daily in Lagos are far greater. Early diplomatic recognition of Biafra by any country still appears unlikely. Nevertheless, the Biafran leaders are resourceful and they seem confident that they will eventually win the support of the Yorubas and thus prevail.

(Map)

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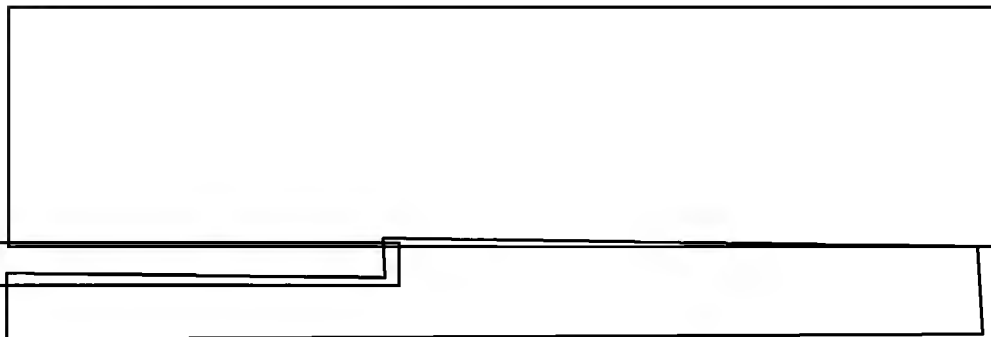
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Peru: A possible resolution of the dispute between the President and the Congress is overshadowed by the rapid emergence of a financial crisis.

Peru's foreign exchange reserves are dropping so rapidly that President Belaunde will probably be forced to devalue or impose stringent exchange controls. Central Bank reserves were down to \$79 million at the close of business on 28 August and daily withdrawals increased from \$3-4 million on 29 August to \$5-10 million on 31 August.

Public confidence has been eroded for some time by partisan approaches to solving the country's pressing economic and fiscal problems. The bitter dispute between Belaunde and the Congress, which has prevented any legislative activity since 28 July has added to this lack of confidence.



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